

**REPORT OF THE AUDIT OF THE
JEFFERSON COUNTY
CLERK**

**For The Year Ended
December 31, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JEFFERSON COUNTY CLERK

For The Year Ended
December 31, 2004

The Auditor of Public Accounts has completed the Jefferson County Clerk's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Jefferson County Clerk had total receipts of \$157,073,433, which was an \$8,635,235 decrease from the prior year. Except for reimbursed expenses in the amount of \$1,286,048 and metro government contributions of \$128,199, the clerk paid 25% of receipts to the Louisville/Jefferson County Metro Government in the amount of \$3,393,681. This was a decrease of \$394,823 from the prior year. In addition, disbursements decreased by \$7,026,468.

Debt Obligations:

The County Clerk's office is responsible for the following leases:

Item Purchased	Monthly Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2004
Cash Link System-West	Various	60 Months	1/21/2009	\$ 45,700
Cash Link System-Dixie	Various	60 Months	1/21/2009	51,781
Cash Link System-Central	Various	60 Months	2/10/2009	53,764
Cash Link System-Westport	Various	60 Months	3/9/2009	49,407
Cash Link System-Jeffersontown	Various	60 Months	4/13/2009	49,034
Cash Link System-Downtown	Various	60 Months	4/20/2009	49,415
Cash Link System-East	Various	60 Months	5/11/2009	49,893
Totals				<u>\$ 348,994</u>

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Louisville/Jefferson County Metro Council

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Jefferson County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2004. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above presents fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2005 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Louisville/Jefferson County Metro Council

This report is intended solely for the information and use of the County Clerk and Members of the Louisville/Jefferson County Metro Council, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
September 16, 2005

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

State Fees For Services	\$	279,495
Metro Government		128,199

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	14,129,479
Usage Tax		65,156,046
Tangible Personal Property Tax		49,472,121

Other-

Marriage		201,882
Shelter For Spouse Abuse		54,570
Beer and Liquor		199 *
Deed Transfer Tax		3,919,891
Delinquent Taxes		17,737,931
Delinquent Taxes (Reimbursed)		12,615 *
		150,684,734

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	407,394
Real Estate Mortgages		853,185
Chattel Mortgages and Financing Statements		1,312,718
Powers of Attorney		56,838
Bail Bonds		3,801
Tax Liens		178,349
Extra Pages		1,147,104
Assignments		61,854
All Other Recordings		13,656
Releases		560,635
Probate		27,341
Lien Holder Penalties		12,005
Corporation and Business		73,777

Other Receipts

Candidate Filing Fees		11,430
Certified Copies		134
Interest Income		84,697
Legal Records - Clerk Expense		891
Legal Records - Clerk Expense (Reimbursed)		363,634 *
Phone/Fax		195 *

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

Revenues (Continued)

Other Receipts (Continued)

Notary	\$	369,469	*
Postage		197,098	*
Tracing		8,977	*
Photosat		25,083	*
Motor Vehicle - Miscellaneous		180,845	
Motor Vehicle - Miscellaneous (Reimbursed)		(81)	*
Returned Check Fees		14,554	*
Library		12	
County Attorney Returned Check Fee		600	
Miscellaneous (Reimbursed)		14,810	*
		<u>14,810</u>	<u>\$ 5,981,005</u>

Total Revenues \$ 157,073,433

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	10,548,074	
Usage Tax		63,197,551	
Tangible Personal Property Tax		19,525,468	
Licenses, Taxes, and Fees-			
Delinquent Tax		1,323,683	
Legal Process Tax		554,097	
Candidate Filing Fees		<u>3,960</u>	\$ 95,152,833

Payments to Metro Government:

Tangible Personal Property Tax	\$	5,558,828	
Delinquent Tax		5,116,230	
Deed Transfer Tax		<u>3,723,897</u>	14,398,955

Payments to Other Districts:

Tangible Personal Property Tax	\$	22,408,941	
Delinquent Tax		<u>7,442,026</u>	29,850,967

Payments to Sheriff 60,109

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

Expenditures (Continued)

Payments to County Attorney:

Delinquent Tax	\$ 2,417,384	
Returned Check Fees	<u>600</u>	\$ 2,417,984

Payment to Library		12
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Operating Expenditures:

Other Charges-		
Bankcard Processing	<u>203,604</u>	

Total Expenditures		<u>\$ 142,084,464</u>
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Net Revenues		\$ 14,988,969
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Payments to State Treasurer:

75% Operating Fund	\$ 11,595,288	
25% County Fund	<u>3,393,681</u>	<u>14,988,969</u>

Balance Due at Completion of Audit		<u><u>\$ 0</u></u>
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* Includes reimbursed expenses in the amount of \$1,414,247 for the audit period. See Note 1 of Notes to Financial Statements.

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLAW, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2004

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2004	\$ 2,587,156	\$ 271,999	\$ 2,859,155
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	11,595,288		11,595,288
Fees Paid to State - County Funds (25%)		3,393,681	3,393,681
Total Funds Available	<u>\$ 14,182,444</u>	<u>\$ 3,665,680</u>	<u>\$ 17,848,124</u>
<u>Expenditures</u>			
Louisville/Jefferson County Metro Government	\$	\$ 3,393,273	\$ 3,393,273
County Clerk's Officials Statutory Maximum	92,790		92,790
County Clerk's Incentive Pay	3,093		3,093
County Clerk's Expense Allowance	3,600		3,600
Personal Services-			
Deputies Salaries	7,276,618		7,276,618
Overtime	69,694		69,694
Employee Cash Out	41,080		41,080
Employee Benefits-			
Employer's Share Social Security	522,981		522,981
Employer's Share Retirement	586,769		586,769
Employer's Paid Health Insurance	670,653		670,653
Employee Assistance Program	5,197		5,197
Workers Compensation Insurance	52,642		52,642
Unemployment Insurance	30,027		30,027
Occupancy-			
Telephone	50,480		50,480
Mileage and Gasoline - Delivery	11,253		11,253
Maintenance and Repairs	66,232		66,232
Services-			
Personal Services Contract	210,083		210,083
Security Services	73,127		73,127
Janitorial	36,953		36,953

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

<u>Expenditures</u> (Continued)	<u>75%</u> <u>Operating</u> <u>Fund</u>	<u>25%</u> <u>County</u> <u>Fund</u>	<u>Totals</u>
Services- (Continued)			
Pager Service	\$ 1,957	\$	\$ 1,957
Printing	19,788		19,788
Temporary Agencies	9,163		9,163
Advertising	4,131		4,131
Supplies-			
Postage	109,211		109,211
Office Expense	111,685		111,685
Rental/Leases-Equipment	74,841		74,841
Meetings	14,586		14,586
Seminars	35,841		35,841
Tuition	13,637		13,637
Other Operating-			
Insurance and Bonds	36,806		36,806
Notary Bonds	2,058		2,058
Memberships Dues	18,182		18,182
Subscriptions	11,628		11,628
Capital Outlay-			
Furniture and Fixtures	35,251		35,251
Remolding and Renovations	472,577		472,577
Office Equipment	111,107		111,107
Computer Software	26,470		26,470
Computer Equipment	512,109		512,109
Total Expenditures	<u>\$ 11,424,300</u>	<u>\$ 3,393,273</u>	<u>\$ 14,817,573</u>
Fund Balance - December 31, 2004	<u>\$ 2,758,144</u>	<u>\$ 272,407</u>	<u>\$ 3,030,551</u>

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2004

The Attorney General issued a letter, which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year. Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004
(Continued)

Note 3. Deposits (Continued)

These requirements were met, and as of December 31, 2004, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the County Clerk's agent in the County Clerk's name.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$13,540. The unexpended grant balance was \$13,540 as of December 31, 2004.

Note 5. Leases

Commitments to the following lease agreements as of December 31, 2004 were:

Item Purchased	Monthly Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2004
Cash Link System-West	Various	60 Months	1/21/2009	\$ 45,700
Cash Link System-Dixie	Various	60 Months	1/21/2009	51,781
Cash Link System-Central	Various	60 Months	2/10/2009	53,764
Cash Link System-Westport	Various	60 Months	3/9/2009	49,407
Cash Link System-Jeffersontown	Various	60 Months	4/13/2009	49,034
Cash Link System-Downtown	Various	60 Months	4/20/2009	49,415
Cash Link System-East	Various	60 Months	5/11/2009	49,893
Totals				<u>\$ 348,994</u>

Note 6. Going Out of Business

This account is used for companies who must post a bond when they have a going out of business sale. After the sale the bond may be released to the company. The account had receipts of \$94 and disbursements of \$3,344 for calendar 2004. The account had a balance of \$20,981 as of December 31, 2004.

Note 7. Bankruptcy Account

This account is used for bankruptcy payments from the Chapter 13 Bankruptcy Trustee. The payments from the trustee are for tangible property tax due the state or clerk or for delinquent property tax owed. The account had receipts of \$891 and disbursements of \$619 for calendar year 2004. The account had a balance of \$79,216 as of December 31, 2004.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Louisville/Jefferson County Metro Council

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Jefferson County Clerk for the year ended December 31, 2004, and have issued our report thereon dated September 16, 2005. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Jefferson County Clerk's financial statements as of December 31, 2004, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
September 16, 2005

